

Initiative #121
Limited Gaming in Central City, Black Hawk, and Cripple Creek

1 Amendment ? proposes amending the Colorado Constitution to:

- 2 ♦ allow residents of Central City, Black Hawk, and Cripple Creek to vote
3 to extend casino hours, approve additional games, and increase the
4 maximum single bet limit;
- 5 ♦ distribute most of the additional gaming tax revenue from any expansion
6 of gaming limits to Colorado community colleges and to the gaming
7 cities and counties;
- 8 ♦ require statewide voter approval for any gaming tax increase if
9 expanded gaming limits are adopted by any gaming town; and
- 10 ♦ exempt the additional revenue from any expansion of gaming limits from
11 state and local revenue and spending limits.

12 **Summary and Analysis**

13 **Limited gaming in Colorado.** Since 1991 Colorado has permitted limited stakes
14 gaming in Central City and Black Hawk in Gilpin County, and Cripple Creek in Teller
15 County. The state constitution places the following limits on gaming:

- 16 • single bets cannot exceed \$5;
- 17 • only slot machines, blackjack, and poker games are allowed; and
- 18 • casinos must close between 2:00 a.m. and 8:00 a.m.

19 **Distribution of the state money received from gaming.** The state government
20 receives revenue from taxes paid by casinos, as well as from various fees and fines.
21 Last year, the state collected \$116 million in total gaming revenue. After paying for
22 the administrative expenses for the regulation of gaming, the gaming revenue is
23 distributed according to the following formula:

- 24 • 12 percent to Gilpin and Teller Counties;
- 25 • 10 percent to the cities of Central City, Black Hawk, and Cripple
26 Creek;
- 27 • 28 percent to the State Historical Fund for historic restoration and
28 preservation grants; and
- 29 • 50 percent for various programs designated by the state legislature.
30 Currently, this money is used to provide assistance to local
31 governments for gaming impacts, and for tourism promotion,
32 economic development programs, energy efficiency and renewable
33 energy projects, and highway projects.

1 **What does this amendment do?** This measure allows each of the towns where
2 limited gaming is currently allowed — Central City, Black Hawk, and Cripple Creek —
3 to vote on expanding the current gaming limits within their town. Each town may vote
4 to decide whether the hours of operation of casinos should be extended, whether the
5 additional games of roulette and/or craps should be allowed, and whether the amount
6 that can be bet on any single game should be increased from \$5 up to a maximum of
7 \$100. The towns could vote on expanding any or all of these limits.

8 Amendment ? distributes any additional money from increased gaming activity
9 differently than the existing formula. First, the money is used to pay any additional
10 expenses for the state regulation of gaming related to the expansion of the limits.
11 Next, some of the additional money is used to provide an annual increase in the
12 amount of money received by the programs and local governments that currently
13 receive gaming revenue. The remainder is distributed as follows:

- 14 • 78 percent for additional financial aid and classroom instruction at
15 state community colleges, based on each school's number of
16 students;
- 17 • 12 percent to Gilpin and Teller Counties, based on the proportion of
18 the additional revenue generated within each county, to help them
19 address the impacts of gaming; and
- 20 • 10 percent to the cities of Central City, Black Hawk, and Cripple
21 Creek, based on the proportion of the additional revenue generated
22 within each town, to help them address the impacts of gaming.

23 Table 1 provides a five-year estimate of the distribution of state gaming revenue
24 under Amendment ?. The estimate assumes that all three gaming towns approve
25 expansions to their gaming limits up to the maximum amount allowed. Thus, the table
26 shows the estimated maximum amount that each entity could receive. Also, it is
27 important to note that the actual amount of money distributed may be higher or lower
28 than the amounts in the table because of the difficulty in estimating future state
29 gaming revenue and the amount of new revenue that would be generated from
30 expanding gaming limits.

1 **Table 1. Estimated Distribution of Gaming Revenue under Amendment ?**
 2 **in Millions of Dollars**

	Year 1*	Year 2	Year 3	Year 4	Year 5
3 4 5 6 Current Recipients under Current Formula	\$118	\$127	\$137	\$146	\$156
7 8 9 10 Current Recipients under Amendment ?	\$120	\$130	\$141	\$151	\$161
11 12 13 Change to Current Recipients	\$2	\$3	\$4	\$5	\$5
14 Recipients of Additional Money**					
15 16 Community Colleges	\$27	\$30	\$44	\$50	\$61
17 18 19 20 Black Hawk, Central City, and Cripple Creek	\$4	\$4	\$6	\$6	\$8
21 22 23 Gilpin and Teller Counties	\$4	\$5	\$7	\$8	\$9

24 * Assumes expansions of gaming limits begin July 1, 2009. Also, state gaming revenue received each year is
 25 distributed to recipients for use in the following year.

26 ** Reflects the amounts to recipients after the estimated additional state administrative costs resulting from expanded
 27 gaming and after the annual adjustment to current recipients are subtracted.

28 The state Gaming Commission sets the rates at which casino gaming revenue is
 29 taxed. Currently, the highest allowable tax rate is 40 percent. On July 1, 2008, the
 30 highest tax rate actually imposed was 20 percent. If voters in any of the gaming towns
 31 approve expanding any limits, a proposed gaming tax increase above the July 1,
 32 2008, level is required to be approved through a statewide vote. Finally, the amount
 33 of additional revenue from any expansion of the current gaming limits, which would be
 34 determined by the Gaming Commission, does not count against state and local
 35 revenue and spending limits.

1 **Arguments For**

2 1) The measure makes Colorado more competitive with other gaming states.
3 Colorado's gaming limits have been in place for 17 years, and the bet limit has not
4 kept pace with inflation. When adjusting for inflation, \$5 in 1991 equals about \$3
5 today. Colorado has the most restricted gaming in the country. The tourism industries
6 in other gaming states benefit from less restricted gaming. An expansion of gaming
7 limits could help attract more tourist spending to Colorado.

8 2) The measure provides local control by allowing voters in each gaming
9 community to decide which, if any, gaming limitations should be changed according to
10 what each community believes is best for them. For example, one community may
11 decide it likes the current limits on single bets and types of games, but that it wants to
12 expand casino hours of operation to help manage traffic, while another may choose to
13 try to attract new visitors by expanding both bet limits and games.

14 3) Expanding gaming could result in a significant revenue boost to community
15 colleges without increasing taxes or negatively impacting current recipients of gaming
16 revenue. Community colleges are vital to the state's economy and educational
17 system. They are an affordable option that provide access to educational and
18 retraining opportunities. Amendment ? provides community colleges with more
19 funding to help students with financial aid and to recruit and retain qualified faculty so
20 that Colorado can offer quality education throughout the state.

21 **Arguments Against**

22 1) Amendment ? could significantly expand gaming in Colorado. It could turn the
23 three historic gaming communities into high-stakes, round-the-clock gaming
24 destinations, further damaging the historic character of these communities as more
25 gaming establishments come in or existing casinos expand their operations. Further,
26 Indian casinos that currently mirror the state's gaming limits would likely expand their
27 limits. This expansion could occur even if voters in Central City, Black Hawk, and
28 Cripple Creek do not choose to expand their gaming limits.

29 2) Providing more opportunities to gamble may lead to an increase in the number
30 of compulsive gamblers in the state. The effects of compulsive gambling are costly to
31 families and society. Compulsive gambling can lead to divorce, child neglect and
32 abuse, domestic violence, bankruptcy, suicide, and crime.

33 3) Gaming revenue is an unstable source of funding for community colleges.
34 Gaming revenue is already in decline due to the current economic slowdown.
35 Community colleges will rely on the gaming money for basic operating purposes, like
36 financial aid and instruction. Since gamblers typically use extra money to play the
37 lottery or casino games, the industry will not fare well during future economic slumps.

38 **Estimate of Fiscal Impact**